

MINUTES – BOARD OF ASSESSORS MEETING, 5/23/05

In attendance: **Board of Assessors:** Denis O'Regan, Chair; Walt Borders, Brooke Bovard, Jane Frantz, Tom Frantz, Larry Walker, Laura Wallace.

Public: Nanette Robinson

Denis O'Regan called the meeting to order at 7:40 p.m.

Minutes: The minutes from the public hearing and Board meeting on May 7 were approved and unanimously accepted.

The first agenda item was preliminary "number crunching" for the assessment rate to be presented at the June Town Assembly. Tom Frantz reviewed the land rent spreadsheet and gave the Board an overview of the land rent situation for next year. Tom stated that all the numbers on the spreadsheet were tentative, anticipating that the Brandywine School District capital referendum would pass. Tom asked the Trustees to verify the numbers for the school taxes. The Trustees contacted the School District, and the numbers presented to the Board were based on:

- 1) Connee McKinney's spreadsheet from the January Board of Assessors meeting. The Trustees are not expecting County taxes to change. What will change is the millage rate for the schools which will be \$1.4165 per \$100 of assessed property value.
- 2) Vocational Charge - No change is anticipated. The total millage rate is \$1.5211 per \$100 of assessed property value.
- 3) On the January spreadsheet, the total value of assessed lands in Arden is \$14.5 million, including private property and land taxes. However, the figure from the Trustees is now \$14.458 million; not a big change, but the difference is not completely understood.

Tom explained that, based on current information, $.015211 \times \$14.458\text{MM}$ of assessed value = \$220K for school taxes next year; and \$57,600 for County taxes. The total for school taxes, County taxes, Trust expenses, Avery mortgage and the Arden budget = \$475K, rounded off. The required prudent reserve is \$157K, which provides a 33% fund. The actual figure from last

year was \$167K (per Aaron Hamburger's letter to the Board of Assessors, dated 4/4/05), so we have a \$10K cushion in the prudent reserve. The revenue from rights-of-way, interest income and investments = \$21K. When you subtract \$21K from \$465K (\$475K - \$10K prudent reserve cushion), we need to raise \$444K in land rent for next year. This is a substantial increase over last year when the total land rent was \$384K. The increase is due to:

- 1) A substantial increase in school taxes.
- 2) A draw-down of approximately \$20K from the prudent reserve last year.
- 3) Last year's estimate of revenue from the Trustees was \$31K. This year the Trustees are saying it is \$21K, resulting in a \$10K downward estimate.
- 4) Result: a \$60K difference from last year.

Based on this information and the fact that this year's Board has agreed that it does not want to make significant changes to land rent this year versus how it was done in the past, Tom plugged this year's figures into last year's spreadsheet, and the result is approximately a 15.7% increase in land rent over last year.

Brooke Bovard wanted to know if the Arden Club is assessed at the residential or commercial rate and suggested there could be a significant difference in the amount of land rent they pay. She pointed out that there are no longer any residences in the Gild Hall which would justify paying at the residential rate. She expressed the concern that this could be a situation of "having their cake and eating it, too" if the Club pays land rent at the residential rate while operating as a tax-exempt business.

Tom then reviewed the land rent spreadsheets from last year. He explained that to get to the \$444K needed for land rent next year, the A Rate will have to go up from \$161.54 to \$186.90 per 1K square feet, for a 15.7% increase per leasehold over last year. Tom stated that our options are limited in that the required land rent for next year leaves us almost no wiggle room. This rate of \$186.90 will be presented to the town in June, but the town budget will not be presented until September. He went on to say that the prudent reserve could be used but a sizable chunk would be used up to cushion the effect of the school tax increase.

Denis O'Regan stated that \$10K of this "sticker shock" is due to a bad estimate of revenue for last year as well as a draw-down of the prudent reserve.

Larry Walker said that in the 3-year budget projection we are not anticipating a significant reduction of any of our costs. The purpose of the 3-year budget projection is to allow us to take a longer view.

Tom pointed out that our own Board of Assessors budget request could also be a bone of contention.

Denis thanked Tom for running the numbers for the Board and suggested that unless this Board is ready to revisit the methodology of the last twenty-plus years, we are stuck with these figures, as presented.

Tom suggested that the Board give a heads-up at the Advisory Committee meeting on June 6th.

Brooke stated it is her belief that the school referendum will pass.

Tom said that the County has not revised its tax rates, but there are rumblings. He feels we may not go too much longer without a County tax increase as well.

The next agenda item was a discussion of the recommendations for the Board's June report to the Town.

Brooke and Jane Frantz both felt that we, as a Board, should make recommendations to the Town and to the next Board.

The first recommendation discussed was the Green Book and that it should be kept by future Boards and built upon. Brooke felt we should do this as a recommendation. Tom said that he would hate to see it end up as a door stop, but he asked whether including it in our report would suffice or whether we still need to make a motion. Larry felt it would be necessary to make a motion in addition to the report. He stated that an ordinance requires three readings at town meetings. Brooke suggested that if we do this as an ordinance, we need to give the Advisory Committee a heads-up. Larry thought the Green Book should be maintained by the secretary of the Board of Assessors. Laura Wallace felt that a recommendation would be sufficient, an ordinance is not required. Laura's opinion was that the Green Book was a good idea and that previous Boards had nothing like it. She felt that a

motion at the town meeting would be enough. Larry agreed that a motion would suffice.

Walt Borders felt we should go to the Act of Incorporation because the Board of Assessors has a special role as a counter-weight to the Trustees, and an amendment to the Act has an order-of-magnitude difference from a motion or ordinance. He pointed out that the Green Book contains legal documents and precedents; he was concerned about what this means constitutionally. Brooke felt comfortable making a recommendation that the Green Book be considered if we go to the Act on other matters. Walt wondered if there is a political cost involved regarding Rep. Wayne Smith. Larry believes that Wayne Smith is not especially friendly to Arden right now. Brooke thought that someone could use an amendment to the Act as an opportunity to take a shot at Arden. Larry agreed, stating that if we take this to the Legislature, we might open up a can of worms. Denis disagreed; he did not feel we have anything to fear from Wayne Smith because the Act refers to Arden and doesn't affect anyone else. Tom felt that too often in Arden we do things as though we're a social club and that we should hold ourselves to a higher standard; he supported making a change to the Act. Brooke observed that we don't see any other community's bookkeeping requirements put into law in Dover. She stated that the Board of Assessors can make law and doesn't need Wayne Smith to sign off on it. Strategically, she felt that we would be better off making a motion; that we don't need any more institutional support than that; the Green Book stands on its own merits. Larry wondered if making this an ordinance would make people more likely to read it. Tom didn't think it would make people more likely to read it, but it would give it more weight; he felt that if it's voluntary, it probably won't get done. Walt stated that our means of operating is too relaxed; it needs to be more standardized, formalized; a lot of our history and ways of doing things are indiscernible at this point.

After some more discussion, Tom pointed out that there was obviously a split of opinion on the Board and asked if there was a way to reach consensus. Denis agreed that we should go to the Town meeting without being split. Larry wanted to find something that we can all live with and asked if we all agreed that we should make a motion. The full Board voted yes. On the question of an ordinance, Brooke voted yes but only with a good Ops Section. Larry voted no. Everyone else voted yes. On amending the Act, Denis, Tom, Walt and Jane voted yes. Jane asked if we could reach a consensus to go with a motion for now, but with a recommendation in our

report that next year's Board should consider making the keeping of the Green Book an amendment to the Act. The full Board voted yes. **Brooke said that she will write a motion to reflect the position of the Board.**

The next recommendation, which **Denis agreed to write**, is for all candidates for the Board of Assessors to issue position statements prior to the election so that people will know where the candidates stand before they vote.

Brooke made a recommendation that next year's Board consider an E Rate to cover home-based businesses.

Jane suggested a recommendation to stagger the terms of Board members to allow for change while still maintaining continuity and a stable knowledge base.

Jane also brought up the issue of the basis of land rent assessment. Brooke stated that this question keeps recurring, and that the issue of whether to include improvements in our land rent is something that the Georgists have gone back and forth on. She wondered if this should be part of the report, in the form of a summation, or whether it should be a recommendation for next year's Board. Laura felt it should be part of the summation. Walt and Jane wanted to make it a recommendation. Tom thought it should be in our summation because we can't recommend that the next Board do something that we aren't doing in our own report. Denis agreed that it should be in the summation.

In looking over the recommendations, **Brooke** found that some of them appear to be recommendations to the Town and some are recommendations to the next Board. She **will write up a list of the recommendations we've discussed and break them down according to Town versus Board. She agreed to provide a copy of this list to Jane for the minutes.**

Before we adjourned, Brooke wanted to look at one more issue, namely the rate assessed for the Arden Club. She stated that the Club has greens on two sides and also suggested that they should be paying a commercial rate. Tom reviewed the spreadsheet numbers for the Arden Club. Denis questioned whether a 1.4 greens factor is enough. Brooke stated that the back of the property is greens all the way across. Larry stated that the Memorial Garden is not a green and wondered what the Bean's property is charged. Tom

checked the spreadsheet and found that the Beans are, in fact, charged a greens factor. He also said that changing the Club's assessment to the commercial rate for next year increases its land rent to \$12K versus \$7K for this year.

Denis pointed out that the Club has more outside rentals now than in past years. Walt stated that the Club gets outside funding from the State for its concert program. Larry pointed out that the Club is a non-profit organization; the Arden Steak Shop is for-profit. Denis wasn't sure whether the Club's non-profit tax status is something the Assessors should take into account with regard to the Club's land rent. Jane wondered if the Arden Craft Shop falls into that same non-profit category. Brooke felt that the Club is not a charge on the town, but the commercial rate should be charged for commercial use of leaseholds. She stated that the town has chosen to acquire property which has been taken out of the tax base and that we should look at our options. Tom said that the commercial rate application has been selective. Brooke stated that the Craft Shop and the Club went to a great deal of trouble to acquire 501c3 status so they can get outside grant money, etc; they removed themselves from the town. She thought there are times when reasonable people can ask whether the good of the Club and the good of the Town are the same. Jane thought that given this discussion it appears that the commercial rate is the appropriate one.

Brooke further stated that people who live near the Club suffer the effects of parking, noise, etc., related to Club activities. Denis asked if we should act this year or if we should recommend this change to next year's Board. Tom stated that, at first, he was against applying the commercial rate to the Club, but he thought that Brooke had raised some valid points. Tom felt that it isn't our job as Assessors to consider what the Club does for the town; we should assess the full rental value based on objective standards.

Denis agreed, stating that the Club raises considerable revenue from outside sources like weddings, etc. Walt stated that the Club advertises for rentals outside the community and gets grants from outside sources. Denis thought that, like any business being hit with higher costs, the Club will simply adjust their rates accordingly. Larry observed the Arden Club has more rentals and traffic than it had 15 years ago, and this is a matter of concern; however, he was uncomfortable bringing this up at the eleventh hour. He thought that there is merit in tweaking the Club's rate a bit but not in making it commercial. Denis wondered how the Board would justify making the

Club's rate, say, half commercial. Larry stated that the Gild Hall is not always rented out or busy and that bumping up their rate by one greens factor is appropriate as an incremental step. Denis disagreed and said that if the Club is a commercial operation, we should call it that. Their non-profit status is something they did for their own benefit, but their relative burden on the community should be considered. The people who live near the Club certainly see it as a commercial enterprise.

Laura supports viewing the Club as a commercial venture, especially since so much of its activity is from outside the community. Jane agreed with the view of the Club as a commercial operation and said if the Board sees it as a commercial operation, then this is not a something to be dealt with by half measures. Walt thought that, as a compromise, we could do something similar to what the County does by only making a certain percentage increase in the first year, but then applying the full amount thereafter. Denis thought we should hold off making a decision until our next meeting when everyone has had a chance to think it over. Brooke suggested we should also consider applying the same treatment to the Craft Shop as increased use will result in increased traffic there as well. Larry stated that the main business of the Craft Shop is the apartments; that the museum business is minimal. Brooke stated that just because it isn't a successful business doesn't mean it's not a business.

Denis pointed out that it was already 10:10 p.m. and asked that we adjourn until next time. The Board unanimously agreed.

Respectfully submitted,

Jane Frantz
Secretary, Board of Assessors